

## Message Text

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E.O. 11652: GDS

TAGS:EGEN, ECON, XC, XE, XP

SUBJECT:OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT  
MAY 16, 1978

### 1. NORTH-SOUTH UN OVERVIEW SESSION ENDS IN DISAPPOINTMENT (LIMITED OFFICIAL USE)

AFTER A REASONABLY PROMISING START, THE UNGA COMMITTEE OF THE WHOLE (NORTH-SOUTH DIALOGUE OVERVIEW MECHANISM) DETERIORATED INTO A FUTILE ATTEMPT TO NEGOTIATE AN AGREED TEXT ON THE CONCLUSIONS OF THE MEETING. WE, ALONG WITH OTHER DCS, HAD SOUGHT TO CONFINE THE COMMITTEE'S DELIBERATIONS TO BROADER ISSUES, BUT GAVE IN TO THE G-77'S INSISTENCE ON ATTEMPTING TO DRAW UP A TEXT OF AGREED PRINCIPLES AND CONCLUSIONS. AS IN PREVIOUS SUCH MEETINGS THE G-77 WANTED TO SHOW "CONCRETE RESULTS". THERE WERE AGAIN LATE HOUR DRAFTING SESSIONS INVOLVING DICK COOPER  
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AND OTHER SENIOR OFFICIALS. THE JAPANESE WERE PARTICULARLY BITTER FOR HAVING BROUGHT A VICE MINISTER FROM TOKYO. IN THE END LITTLE PROGRESS WAS MADE BEYOND AGREEING TO MEET AGAIN BEGINNING SEPTEMBER 5. POINTING TO SOME OF THE USEFUL DISCUSSIONS DURING THE FIRST WEEK OF THE SESSION, WE WILL PROBABLY REFER TO THE MEETING AS HAVING "MIXED RESULTS", BUT UNOFFICIALLY WE WERE DISAPPOINTED

IN BOTH THE OUTCOME OF THE MEETING AND LEVEL OF REPRESENTATION FROM MOST LDCS.

2. PREPARATIONS FOR US-ASEAN DIALOGUE (CONFIDENTIAL)

FOLLOWING YOUR MEETING WITH OTHER AGENCIES YESTERDAY WE ARE BEGINNING PREPARATIONS IN EARNEST FOR THE US-ASEAN DIALOGUE MEETING IN WASHINGTON, ALTHOUGH UNCERTAINTIES REMAIN REGARDING TIMING, LEVEL OF REPRESENTATION AND COMPOSITION OF DELEGATIONS. WE HAVE SENT A MESSAGE TODAY THAT A US TEAM OF EXPERTS IS READY TO MEET WITH ASEAN EXPERTS ON MAY 30-31 TO DISCUSS THE DEVELOPMENT OF A REGIONAL AID PROGRAM. A MESSAGE IS BEING PREPARED FOR YOUR SIGNATURE TO OUR AMBASSADORS SUGGESTING WAYS TO EXPEDITE AN ASEAN DECISION ON THE MEETING AND PARTICIPATION OF ECONOMIC MINISTERS IN THE DELEGATIONS. SUBSEQUENT TO YOUR MEETING WITH THE ASEAN WASHINGTON COMMITTEE WE WILL CABLE AN ILLUSTRATIVE SCHEDULE AND DRAFT AGENDA OF THE MEETING WHICH SHOULD CONVEY IN MORE SPECIFIC TERMS THE HIGH LEVEL GOVERNMENT PARTICIPATION AND CONTACTS WITH THE PRIVATE SECTOR WHICH WE HAVE IN MIND.

YESTERDAY'S INTERAGENCY MEETING GAVE US A GOOD BASIS FROM WHICH TO DEVELOP SOME SUBSTANTIVE PROPOSALS WHICH COULD  
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BE VIEWED AS "CONCRETE RESULTS" BY THE ASEAN MINISTERS, E.G. DEVELOPMENT COOPERATION PROJECTS, FURTHER PROPOSALS ON REGIONAL FOOD AND ENERGY COOPERATION, PROGRESS TOWARD ESTABLISHMENT OF A US-ASEAN BUSINESS COUNCIL, OPIC INVESTMENT MISSION, EXIM CHAIRMAN VISIT, EXPANDED CULTURAL AND EDUCATIONAL EXCHANGE PROGRAM, ETC.

3. ASEAN COMMITTEE MEETING (LIMITED OFFICIAL USE)

THE ASEAN COMMITTEE ON FOOD, AGRICULTURE AND FORESTRY, IN A MEETING OF APRIL 25-27, RECOMMENDED THE ESTABLISHMENT OF AN ASEAN RICE SECURITY RESERVE WHICH WOULD CONSIST OF A COORDINATED SYSTEM OF NATIONAL RESERVES, SOME PORTION OF WHICH WOULD BE EARMARKED FOR EMERGENCY USE WITHIN ASEAN. THE IDEA OF SEEKING THIRD COUNTRY FINANCIAL ASSISTANCE TO ESTABLISH THE RESERVE WAS ENDORSED, CREATING THE POSSIBILITY WE MAY BE APPROACHED FOR SUCH ASSISTANCE IN THIS SUMMER'S CONSULTATIONS. THE BALANCE OF THE COMMITTEE'S ACTIONS WERE LARGELY LIMITED TO A REVIEW OF ONGOING STUDIES.

THE OFT-POSTPONED ASEAN ECONOMIC MINISTERS MEETING HAS REPORTEDLY BEEN RESCHEDULED FOR JUNE 1-3 IN JAKARTA. MAJOR AGENDA ITEMS ARE EXPECTED TO INCLUDE A REVIEW OF

PROGRESS ON ASEAN INDUSTRIAL PROJECTS AND CONSIDERATION OF SOME 750 ADDITIONAL ITEMS FOR ASEAN TARIFF PREFERENCES

AS PROPOSED BY THE COMMITTEE ON TRADE AND TOURISM.

4. JAPANESE ASEAN RELATIONS (LIMITED OFFICIAL USE)

THE GOJ HAS INFORMED US THAT THE ASEAN COUNTRIES HAVE INFORMALLY ACCEPTED A GOJ PROPOSAL THAT FOREIGN MINISTER SONODA MEET WITH THE ASEAN FOREIGN MINISTERS IN THAILAND IMMEDIATELY FOLLOWING THE ASEAN FOREIGN MINISTERS MEETING IN JUNE 13-15. UNCERTAINTIES OVER THE DIET  
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SCHEDULES, HOWEVER, HAVE PREVENTED CONFIRMATION OF SONODA'S AVAILABILITY AS YET. ASSUMING HE GOES AS SCHEDULED, SONODA WOULD ALSO HAVE BILATERAL DISCUSSIONS WITH THE THAIS AND FOLLOW UP WITH VISITS TO THE FOUR OTHER ASEAN CAPITALS PLUS AUSTRALIA AND NEW ZEALAND IN JULY.

HIS VISIT WOULD FOLLOW ON THE HEELS OF RECENT VISITS TO JAKARTA, SINGAPORE AND KUALA LUMPUR (APRIL 30-MAY 6) BY GOJ MITI MINISTER KOMOTO. (KOMOTO IS EXPECTED TO MAKE SIMILAR VISITS TO MANILA AND BANGKOK FOLLOWING THE DIET SESSION.) INITIAL REPORTING ON KOMOTO'S VISITS INDICATE THAT HE OFFERED NO SIGNIFICANT NEW COMMITMENTS. HE REPEATED VARIOUS ASSURANCES OF JAPANESE SUPPORT FOR A NUMBER OF MAJOR INDUSTRIAL PROJECTS, BUT THE ASSURANCES WERE GENERALLY AMBIGUOUS ENOUGH TO LEAVE IT UNCLEAR AS TO JUST WHAT HE HAD PROMISED. IN KUALA LUMPUR HE CONCLUDED NEGOTIATIONS ON AID PROJECTS UNDER A PREVIOUSLY EXTENDED LINE OF CREDIT AND ANNOUNCED EARLY NEGOTIATIONS ON A NEW LINE OF CREDIT. THERE ARE NO INDICATIONS THAT THERE IS ANY CHANGE IN THE UNTYING PROVISIONS OF THESE AGREEMENTS. WHILE THE GOJ APPARENTLY BELIEVES THE TRIP WAS SUCCESSFUL IN DEMONSTRATING CONTINUED HIGH LEVEL GOJ INTEREST AND SUPPORT FOR ASEAN, THE MALAYSIANS, AT LEAST, WERE REPORTEDLY QUITE DISAPPOINTED AND CONSIDERED THE GOJ TO BE PARTICULARLY INTRANSIGENT ON TRADE MATTERS. CONCERNING THE ASEAN PROPOSAL FOR A REGIONAL STABEX, KOMOTO DECLINED TO DISCUSS THE ISSUE, NOTING IT WAS BEING REVIEWED BY SPECIALISTS. MITI HAS SINCE CONFIRMED THAT JAPANESE AND ASEAN EXPERTS WILL MEET IN JAKARTA MAY 29-30 TO DISCUSS THEIR JOINT STUDY OF THE STABEX PROPOSAL. EMBASSY TOKYO REPORTS THAT GOJ MINISTRIES CONTINUE TO DISAGREE ON THE DESIRABILITY OF A STABEX  
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ARRANGEMENT AND INDICATES THAT PRESS ACCOUNTS THAT SONODA WILL ANNOUNCE GOJ AGREEMENT TO A REGIONAL STABEX DURING HIS PLANNED VISIT TO THAILAND ARE UNFOUNDED.

5. HOUSE PASSES FOREIGN AID AUTHORIZATION (UNCLASSIFIED)

ON MAY 16TH, BY A VOTE OF 225-148 THE HOUSE PASSED AND SENT TO THE SENATE THE FY 79 FOREIGN ASSISTANCE AUTHORIZATION. DURING FLOOR CONSIDERATION TWO EFFORTS TO RESTRICT OR CURTAIL ASSISTANCE TO KOREA WERE DEFEATED WHILE AN AMENDMENT TO PROHIBIT DIRECT AND INDIRECT AID TO CAMBODIA, SRV, CUBA AND UGANDA WAS ADOPTED. THIS LATTER AMENDMENT PASSED AFTER AN EFFORT BY REP. DERSINSKI TO DELETE THE INDIRECT LANGUAGE WAS DEFEATED 148-155. THE AMENDMENT, IF EVER SIGNED INTO LAW, WOULD AFFECT PRIMARILY UNITED NATIONS PROGRAMS. (THE ACT DOES NOT COVER IFIS.) THE FINAL LEVEL AUTHORIZED IN THE HOUSE BILL WAS 3.59 BILLION DOLLARS, APPROXIMATELY 70 MILLION DOLLARS BELOW THE ADMINISTRATION'S REQUEST. ACTION NOW SHIFTS TO THE SENATE WHERE THE SFRC HAS REPORTED A BILL TO THE FLOOR. A DATE FOR SENATE FLOOR CONSIDERATION HAS NOT YET BEEN SET BUT IS EXPECTED TO BE MID-JUNE.

6. ADB ACTIVITIES IN LAOS (LIMITED OFFICIAL USE)

THE ADB HAS NOT UNDERTAKEN ANY NEW ACTIVITIES IN LAOS SINCE 1974 AND IS FOLLOWING A WAIT-AND-SEE ATTITUDE TOWARD LAOS. BUT, UNLIKE VIETNAM, THE BANK HAS CONTINUED REGULAR DISCUSSIONS WITH LAOTIAN AUTHORITIES WHO ARE COOPERATIVE. THE STAFF ESTIMATES A PROGRAM THIS YEAR FOR LAOS OF 8-10 MILLION DOLLARS, INCLUDING AN INDUSTRIAL AND AGRICULTURAL CREDIT AND A FORESTRY AND FOREST INDUSTRIES PROJECT. LAOS IS ALSO EXPLORING THE POSSIBILITY OF THE BANK PARTICIPATING IN CO-FINANCING PROJECTS WITH OPEC AND PERHAPS THE EC. EDMOND URGED THE BANK TO POSTPONE BRINGING LOANS TO LAOS BEFORE  
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THE BOARD UNTIL AFTER THE PRESENT US FY IN THE ASSUMPTION THAT THE PRESIDENT'S COMMITMENT TO CONGRESS TO OPPOSE SUCH LAONS WILL NOT BE RENEWED.

7. TIN LEGISLATION MOVING THROUGH CONGRESS  
(LIMITED OFFICIAL USE)

AUTHORIZATION LEGISLATION FOR A USG CONTRIBUTION FOR UP TO 5,000 TONS OF TIN TO THE INTERNATIONAL TIN COUNCIL (ITC) BUFFER STOCK IS MOVING THROUGH PRELIMINARY HURDLES IN CONGRESS WITHOUT SIGNIFICANT DIFFICULTIES. SO FAR IT HAS CLEARED THE INTERNATIONAL RELATIONS COMMITTEE OF BOTH HOUSES, WAS PASSED YESTERDAY BY A SUBCOMMITTEE OF THE HOUSE ARMED SERVICES COMMITTEE AND IS EXPECTED TO BE ACTED ON FAVORABLY BY A SUBCOMMITTEE OF THE HOUSE BANKING AND CURRENCY COMMITTEE NEXT WEEK. IT WILL STILL REQUIRE ACTION BY THE LATTER TWO FULL COMMITTEES AS WELL AS THE

SENATE ARMED SERVICES COMMITTEE BEFORE REACHING THE FLOORS OF BOTH HOUSES. THE SEPARATE ISSUE OF GSA TIN DISPOSAL ALSO MOVED FORWARD IN YESTERDAY'S SUBCOMMITTEE ACTION BY VIRTUE OF AN AMENDMENT ADDED TO THE TIN CONTRIBUTION BILL AUTHORIZING A GSA TIN DISPOSAL OF 30,000 TONS, WITH NO REPEAT NO LINK TO COPPER PURCHASES. THIS CONTRASTS WITH THE COPPER PURCHASE-LINKED 45,000 TON DISPOSAL PROPOSED IN THE UDALL-DECONCINI BILL AND THE 25,000 TON DISPOSAL ORIGINALLY PROPOSED BY THE ADMINISTRATION. PROSPECTS ARE GOOD THAT AUTHORIZING LEGISLATION FOR BOTH THE TIN CONTRIBUTION AND TIN DISPOSAL WILL BE ENACTED PRIOR TO THE JULY ITC MEETING. THE TIN CONTRIBUTION WOULD STILL REQUIRE SEPARATE APPROPRIATION ACTION, BUT THAT SHOULD BE RELATIVELY ROUTINE IF THE AUTHORIZATION LEGISLATION IS ENACTED.  
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8. CONGRESSIONAL ACTION ON THE INTERNATIONAL SUGAR AGREEMENT (UNCLASSIFIED)

STATE AND AGRICULTURE TESTIFIED BEFORE A SUBCOMMITTEE OF THE SENATE FINANCE COMMITTEE DURING THE WEEK OF MAY 8TH. IN THE PREPARED STATEMENT THE ADMINISTRATION OUTLINED ITS PROPOSAL FOR A CONTINGENCY PROGRAM FOR US SUGAR PRODUCERS AIMED AT MAINTAINING THE CURRENT US MARKET PRICE TARGET OF 13.5 CENTS PER POUND; US PRODUCERS WOULD RECEIVE DIRECT PAYMENTS FOR THE DIFFERENCE BETWEEN THE TARGET MARKET PRICE AND THE COSTS OF PRODUCTION BASED UPON THE AVERAGE COST OF PRODUCTION, WHICH IN 1978 WAS DETERMINED TO BE 14.05 CENTS PER POUND. AS A TEMPORARY DEVICE, FLOATING IMPORT FEES, TO BE ADJUSTED QUARTERLY, WOULD BE LEVIED ON IMPORTED SUGAR UNTIL THE OPERATION OF THE ISA CAUSED THE LANDED PRICE OF IMPORT SUGAR TO REACH 13.5 CENTS. IN THE SENATE, A CLEAR LINKAGE HAS BEEN ESTABLISHED BETWEEN IMPLEMENTATION OF AN EFFECTIVE DOMESTIC SUPPORT PRICE MECHANISM AND THE SENATE PROVIDING ITS ADVICE AND CONSENT ON THE INTERNATIONAL SUGAR AGREEMENT.

9. RENEGOTIATION OF INTERNATIONAL COCOA AGREEMENT (LIMITED OFFICIAL USE)

WHILE NOT A SIGNATORY TO THE CURRENT COCOA AGREEMENT, THE US PLANS TO PARTICIPATE IN A JUNE AD HOC COMMITTEE MEETING OF THE INTERNATIONAL COCOA COUNCIL WHICH WILL CONSIDER PROPOSALS FOR REVISION OF THE 1975 AGREEMENT. WE ARE PUTTING FORWARD PROPOSALS WHICH WOULD REPLACE THE CURRENT AGREEMENT'S DEPENDENCE ON EXPORT QUOTAS, WHICH WE FIND UNACCEPTABLE, WITH A PURE BUFFER STOCK ARRANGEMENT. WHILE COCOA IS NOT OF IMMEDIATE INTEREST

TO EA COUNTRIES, THERE ARE REPORTS MALAYSIA IS LOOKING

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INTO THE POSSIBILITY OF SUBSTANTIAL INVESTMENT IN COCOA PRODUCTION.

10. SECTION 911 (UNCLASSIFIED)

WITH JUNE 15 DEADLINE FOR AMERICANS OVERSEAS TO FILE TAX RETURNS RAPIDLY APPROACHING, BOTH HOUSES OF CONGRESS HAVE PASSED BILLS POSTPONING 1976 AMENDMENTS TO SECTION 911 FOR ANOTHER YEAR (1977). SENATE VERSION APPROVED MAY 11 CONTAINS RIBICOFF AMENDMENT, WHILE HOUSE VERSION HAS ONLY A YEAR'S DELAY. BOTH HOUSES PREFER TO AMEND LAW THIS YEAR, BUT THERE IS NO CONSENSUS YET ON FORM A NEW LAW WOULD TAKE. HOUSE WAYS AND MEANS WILL MEET THIS WEEK, AND CONFERENCE IS EXPECTED WEEK OF MAY 29.

11. EXPORT PROMOTION TRAINING (UNCLASSIFIED)

INDONESIA IS NOW READY TO PICK UP ON THE COMMERCE DEPARTMENT'S OFFER TO PROVIDE EXPORT PROMOTION TRAINING TO GOI OFFICIALS. THE FIRST OF TWO PARTICIPANTS HAS ASKED TO UNDERTAKE A PROGRAM IN JULY CONSISTING OF SEVERAL DAYS CONSULTATIONS IN COMMERCE AND THE AID REIMBURSABLE ASSISTANCE OFFICE AND VISITS TO US TRADE CENTERS. ALTHOUGH WE HAD AN OFFER OF SUCH TRAINING IN OUR POCKET FOR THE SEPTEMBER 1977 ECONOMIC CONSULTATIONS WITH ASEAN, THE OFFER WAS ACTUALLY MADE ONLY TO INDONESIA AT A LATER DATE.

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